

INVESTIGATIONS AND COMPLIANCE

PRESENTERS

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TOPICS

- INVESTIGATIONS DIVISION
- CORPORATE SECURITIES SECTION
- COMPLIANCE



INVESTIGATIONS DIVISION

- NEVADA REVISED STATUTE 463.170
- 2. AN APPLICATION TO RECEIVE A LICENSE OR BE FOUND SUITABLE MUST NOT BE GRANTED UNLESS THE COMMISSION IS SATISFIED THAT THE APPLICANT IS:
 - a) A PERSON OF GOOD CHARACTER, HONESTY AND INTEGRITY
 - b) A PERSON WHOSE PRIOR ACTIVITIES, CRIMINAL RECORD, IF ANY, REPUTATION, HABITS AND ASSOCIATIONS DO NOT POSE A THREAT TO THE PUBLIC INTEREST OF THIS STATE OR TO THE EFFECTIVE REGULATION AND CONTROL OF GAMING..., OR CREATE OR ENHANCE THE DANGERS OF UNSUITABLE, UNFAIR OR ILLEGAL PRACTICES, METHODS AND ACTIVITIES IN THE CONDUCT OF GAMING...OR IN THE CARRYING ON OF THE BUSINESS AND FINANCIAL ARRANGEMENTS INCIDENTAL THERETO; AND
 - c) IN ALL OTHER RESPECTS QUALIFIED TO BE LICENSED OR FOUND SUITABLE CONSISTENTLY WITH THE DECLARED POLICY OF THE STATE.

INVESTIGATIONS DIVISION

- WHO NEEDS TO BE LICENSED OR FOUND SUITABLE
- APPLICATION PROCESS
 - MULTI-JURISDICTIONAL PERSONAL HISTORY DISCLOSURE FORM
 - NEVADA SUPPLEMENTAL
- WORK PROGRAM
- MONEY REQUEST
- DOCUMENT REQUESTS



INVESTIGATIONS DIVISION

- BARRIERS TO ENTRY



INDIVIDUAL INVESTIGATION PROCESS

- REVIEW INTERNAL DATABASES
- ONLINE BACKGROUND CHECKS
 - FEDERAL COURTS
 - LOCAL JURISDICTION COURTS
 - COUNTY RECORDER OF DEEDS/ASSESSOR/TREASURER
 - STATEWIDE POLICE CHECKS
 - SECRETARY OF STATE
 - EDUCATION VERIFICATION
- CONTACT OTHER GAMING JURISDICTIONS
- SOCIAL MEDIA
- CREDIT REPORTS (TRANSUNION)
- CENTRAL CREDIT
- REFERENCE LETTERS
- CONTRACTED BACKGROUND INVESTIGATIONS



INDIVIDUAL INVESTIGATION PROCESS

- INITIAL APPLICANT INTERVIEWS
- PERSONAL SAFE AND SAFE DEPOSIT BOX REVIEWS
- IN-PERSON BACKGROUND CHECKS
 - FEDERAL COURTS
 - LOCAL COURTS
 - POLICE/SHERIFF
 - RECORDER OF DEEDS/ASSESSOR/TREASURER
- MEET WITH GAMING REGULATORS IN OTHER JURISDICTIONS
- REVIEW HUMAN RESOURCE FILES





Forget what they
told you. You
want the truth,
follow the
money.

Roxanne Bland

FINANCIAL INVESTIGATION PROCESS

- ASSETS/LIABILITIES
- SOURCES AND USES OF FUNDS
 - INCOME TO SUPPORT LIFESTYLE
- REAL AND PERSONAL PROPERTY
- BUSINESS INVESTMENTS
- BUSINESS AND PERSONAL ASSOCIATES
- FEDERAL AND STATE TAX RETURNS
- BANKRUPTCIES
- TRUSTS
- FLIGHT LOGS



PRIVATELY OWNED COMPANY INVESTIGATION

- NEVADA REVISED STATUTE 463.170
 3. A LICENSE TO OPERATE A GAMING ESTABLISHMENT OR AN INTER-CASINO LINKED SYSTEM MUST NOT BE GRANTED UNLESS THE APPLICANT HAS SATISFIED THE COMMISSION THAT:
 - a) THE APPLICANT HAS ADEQUATE BUSINESS PROBITY, COMPETENCE AND EXPERIENCE, IN GAMING OR GENERALLY; AND
 - b) THE PROPOSED FINANCING OF THE ENTIRE OPERATION IS:
 - 1) ADEQUATE FOR THE NATURE OF THE PROPOSED OPERATION; AND
 - 2) FROM A SUITABLE SOURCE

PRIVATELY OWNED COMPANY INVESTIGATION

- FORMATION DOCUMENTS
- MANAGEMENT
- OWNERS
- BANK STATEMENTS
- FINANCIAL STATEMENTS
- GENERAL LEDGERS
- CASH RECEIPTS AND DISBURSEMENT JOURNALS
- TAX RETURNS
- BOARD MEETING MINUTES

PUBLICLY TRADED CORPORATIONS (“PTCs”)

NRS 463.625-643 PASSED BY THE NEVADA LEGISLATURE IN 1969 AS PART OF THE 1969 CORPORATE GAMING ACT.

REGULATION 16 PROMULGATED BY THE NEVADA GAMING COMMISSION IN 1973.

- a) TO BROADEN THE OPPORTUNITY FOR INVESTMENT IN GAMING THROUGH THE POOLING OF CAPITAL IN CORPORATE FORM
- b) TO MAINTAIN EFFECTIVE CONTROL OVER THE CONDUCT OF GAMING BY CORPORATE LICENSEES.
- c) TO RESTRAIN ANY SPECULATIVE PROMOTION OF THE STOCK OR OTHER SECURITIES OF GAMING ENTERPRISES

PTC INVESTIGATION

- APPLICATIONS
- FORMATION DOCUMENTS
- ORGANIZATIONAL CHARTS
- MANAGEMENT & OWNERS
- DEBT & EQUITY
- SEC OR EQUIVALENT FILINGS
- FINANCIAL STATEMENTS & ANALYSIS
- PROJECTIONS
- LITIGATION
- PROPOSED TRANSACTION



PTC INVESTIGATION PROCESS

- REVIEW SEC FILINGS
- REVIEW ANALYSTS REPORTS
- ONLINE CHECKS
 - APPLICABLE COURTS
 - NEWS
- CONTACT OTHER GAMING JURISDICTIONS
- SOCIAL MEDIA
- CONTRACTED BACKGROUND INVESTIGATIONS



PTC INVESTIGATION PROCESS

- INITIAL APPLICANT INTERVIEWS
- SUBSEQUENT DIRECTOR/MANAGEMENT/EMPLOYEE INTERVIEWS
- OFFICE CHECK
- EMAIL CHECK
- MEET WITH SEC OR EQUIVALENT IN OTHER JURISDICTIONS
- MEET WITH OUTSIDE ACCOUNTANTS/REVIEW WORK PAPERS
- MEET WITH REGULATORS IN OTHER JURISDICTIONS
- REVIEW COMPLIANCE



PTC FINANCIAL INVESTIGATION PROCESS

- WORK ALREADY DONE BY OUTSIDE ACCOUNTANTS
- REPORTED TO SEC OR EQUIVALENT
- ANALYZE PAST AND PRESENT PERFORMANCE
- PROJECTIONS AND DEBT RECEIVE MOST SCRUTINY



WHAT HAPPENS NEXT?



COMPLIANCE PLANS IN NEVADA



- MAY BE MANDATED PURSUANT TO NGC REGULATION 5.045
- PUBLIC COMPANIES HAVE CONDITION PLACED IN THEIR ORDER OF REGISTRATION
 - MOST HAVE OPERATIONS OUTSIDE NEVADA
- PRIVATE COMPANIES CAN HAVE REQUIREMENT IMPOSED AS EITHER A CONDITION TO LICENSE OR AS A SETTLEMENT OF DISCIPLINARY ACTION
- PRIVATE INVESTMENT COMPANIES (PICs) – REGULATION 15C
 - 15C.100.1 (E) – ESTABLISH & MAINTAIN A GAMING COMPLIANCE PROGRAM
- PURPOSE
 - ENSURE COMPANY IS CONDUCTING BUSINESS IN LEGAL MANNER & NOT CONDUCTING BUSINESS OR ASSOCIATING WITH INDIVIDUALS OR ENTITIES THAT MAY DISREPUTE OR TAINT THE IMAGE OF THE COMPANY OR GAMING INDUSTRY IN NEVADA
- GIVES COMPANY THE ABILITY TO SELF-REGULATE

COMPLIANCE PLANS

- ENSURE THAT THE COMPANY'S ACTIVITIES DO NOT AFFECT THE LICENSEE'S CONTINUING QUALIFICATION UNDER THE GAMING ACT AND NGC REGULATIONS.
- MAINTAIN ETHICAL STANDARDS
- PERIODICALLY MONITORS THE COMPANY'S ACTIVITIES
 - DUE DILIGENCE
 - BUSINESS AFFAIRS & ON-GOING RELATIONSHIPS
- IDENTIFY & EVALUATE ANY RISK AND/OR SITUATION THAT MAY ADVERSELY AFFECT THE OBJECTIVES OF GAMING CONTROL AND THE PUBLIC TRUST.



COMPLIANCE COMMITTEE

- SERVE AS AN ADVISORY COMMITTEE TO REVIEW AND MAKE RECOMMENDATIONS REGARDING ASSOCIATIONS, POTENTIAL TRANSACTIONS, HIRING DECISIONS, AND REGULATORY ISSUES
- CONSISTS OF AT LEAST THREE (3) MEMBERS
 - AT LEAST ONE MUST BE AN INDEPENDENT MEMBER
 - ONE MUST BE KNOWLEDGEABLE OF NEVADA GAMING ACT AND REGULATIONS
 - APPOINTED BY BOARD OF DIRECTORS
 - MEET QUARTERLY
 - MINUTES SHOULD PROVIDE SUFFICIENT DETAIL REGARDING ITEMS DISCUSSED AT MEETING AND WHAT DOCUMENTS/REPORTS WERE REVIEWED BY THE COMMITTEE



NEVADA GAMING COMPLIANCE REVIEW

- 5 PERSON TEAM (SUPERVISOR, SPECIAL AGENT, 3 AGENTS)
 - 4 IN CARSON CITY, 1 AGENT IN LAS VEGAS
- AUDIT CYCLE (SIMILAR TO AUDIT/TAX & LICENSE DIVISION)
- COMPANIES WILL BE REVIEWED AT A MINIMUM EVERY 4 YEARS FOR LARGE OR HIGH-RISK COMPANIES
 - POOR REVIEWS LEAD TO MORE FREQUENT REVIEWS (2 YEARS)
- COMPANIES WITH A COMPLIANCE PLAN REQUIREMENT ARE REQUIRED TO MAINTAIN A REVOLVING ACCOUNT FOR NV COMPLIANCE TO ACCESS
- WORK PROGRAM – ESTIMATED COST OF EXPENSES



UNDERGOING A COMPLIANCE REVIEW

- 46 COMPANIES TO REVIEW
 - 26 PUBLICLY TRADED CORPORATIONS
 - 2 PRIVATE INVESTMENT COMPANIES
 - 18 REPORTING ONLY W/REVOLVER
- REVIEWS COVER PERIOD OF 2 YEARS
- DOCUMENT REQUEST/REVIEW
- INTERVIEWS WITH COMPANY MANAGEMENT & COMPLIANCE STAFF
- AGENTS WRITE COMPLIANCE REVIEW REPORTS
 - REVIEWED BY THE 3 BOARD MEMBERS
 - PROPOSE CHANGES OR REVISE PLAN
 - CLOSING CONFERENCE/RESULTS LETTER



AML/BSA WITH NEVADA COMPLIANCE PLANS

- AML/BSA LANGUAGE NOW ADDED TO CASINO OPERATOR'S COMPLIANCE PLANS
- SAR COMMITTEES/AML DEPARTMENTS
- REVIEW AML POLICIES
- KYC AND ENHANCED DUE DILIGENCE
- AML WORKING GROUP
- FINANCIAL CRIMES TASK FORCE



QUESTIONS?

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THANK YOU!